

IONIA HOUSING COMMISSION
IONIA, MICHIGAN

FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2004
AND
REPORTS ON INTERNAL CONTROL AND
COMPLIANCE

AUDITOR'S PROCEDURES REPORT

Issued under P.A. 2 of 1966, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name <i>Ironia Housing Commission</i>		County <i>Ironia</i>
Audit Date <i>9/30/04</i>	Opinion Date <i>3/14/05</i>	Date Accountant Report Submitted to State: <i>5/9/05</i>		

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).	✓		

Certified Public Accountant (Firm Name) <i>Barry E. Gaudette, CPA, PC</i>			
Street Address <i>1107 E. 9th Street</i>	City <i>Traverse City</i>	State <i>MI</i>	ZIP <i>49686</i>
Accountant Signature <i>Barry E. Gaudette, CPA</i>			

IONIA HOUSING COMMISSION
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INTRODUCTION

Barry E. Gaudette, CPA, P.C.

CERTIFIED PUBLIC ACCOUNTANT

1107 East Eighth Street
Traverse City, Michigan 49686
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Independent Auditor's Report

Board of Commissioners
Ionia Housing Commission
Ionia, Michigan

We have audited the accompanying statement of net assets of the Ionia Housing Commission, Michigan (a component unit of the City of Ionia) as of September 30, 2004, and the related statements of revenues, expenses, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Housing Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Ionia Housing Commission, Michigan, as of September 30, 2004, and the changes in its net assets and its cash flows for the year then ended in conformity with generally accepted accounting principles in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 2005 on our consideration of the Housing Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Ionia Housing Commission
Independent Auditor's Report
Page Two

Management's Discussion and Analysis is not a required part of the financial statements, but is supplementary information the Government Accounting Standards Board requires. We applied limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion thereon.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Financial Data Schedule is presented for the purpose of additional analysis and is not a required part of the basic financial statements of the Housing Commission. The accompanying Schedule of Expenditures of Federal Awards, is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The Housing Commission has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, as of September 30, 2004.

Sam E. Kauder, CPA, PC

March 14, 2005

IONIA HOUSING COMMISSION
IONIA, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)
September 30, 2004
=====

The Ionia Housing Commission, created in 1969, by the City of Ionia provides housing to meet the community's needs for affordable low-income housing. As management of the Housing Commission, we offer readers this narrative overview and analysis of the financial activities of the Housing Commission for the fiscal year ended September 30, 2004. We encourage readers to consider the information presented here in conjunction with the Housing Commission's financial statements.

Financial Highlights

The financial statements for Ionia Housing Commission consists of three programs. The first is owned housing, consisting of 110 units of public housing, the second is the capital funding program, the third is the housing choice voucher program consisting of 20 qualifying low-income residents for rental housing.

Ionia Housing Commission had total revenues of \$921,788 that includes \$259,995 in rental payments and \$654,135 in federal assistance. Total revenues increased by \$238,766 from the prior year, in part, because of federal assistance increasing by \$233,821 and rents increasing by \$5,192 from the prior year. Total operating expenses were \$712,693, that includes \$163,994 in administrative expenses, \$78,514 in utilities, \$175,411 in ordinary maintenance and operation, \$57,825 in housing assistance payments, and \$175,950 in depreciation expense. The operating expenses decreased by \$58,832, in part, because of the extraordinary maintenance expense decreasing by \$91,086 from the prior year.

The assets of the Housing Commission exceeded its liabilities at the close of the most recent fiscal year by \$4,363,717. The Housing Commission's total net assets increased by \$209,056 over the prior year. The increase can be attributed, in part, to the increase in Federal grants of \$233,821 over the prior year.

Total assets of the Housing Commission were \$4,444,305 and also, there was \$610,629 of current assets and \$50,747 in current liabilities. There was a net increase in total assets of \$56,982 from the prior year. The increase is due, in part, because of the additions to property and equipment of \$126,870.

The Housing Commission's overall financial condition has remained stable.

IONIA HOUSING COMMISSION
IONIA, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A) - CONTINUED
September 30, 2004

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Overview of the Financial Statements

The financial statements included in this annual report are those of a special-purpose government engaged only in a business-type activity. The following statements are included:

- * Statement of Net Assets - reports on the Housing Commission's current financial resources with capital and other assets and other liabilities.
- * Statement of Revenues, Expenses, and Changes in Fund Net Assets - reports the Housing Commission's operating and non-operating revenues, by major source along with operating and non-operating expenses and capital contributions.
- * Statement of Cash Flows - reports the Housing Commission's cash flows from operating, investing, capital, and non-capital activities.

Financial Analysis of the Housing Commission

The following combined condensed balance sheets show a summary of changes for the years ended September 30, 2004 and 2003.

	<u>2004</u>	<u>2003</u>	<u>Net Change</u>
Current assets	\$ 610,629	\$ 680,517	\$(69,888)
Property and equipment	<u>3,833,676</u>	<u>3,706,806</u>	<u>126,870</u>
Total assets	<u>\$4,444,305</u>	<u>\$4,387,323</u>	<u>\$ 56,982</u>
Current liabilities	\$ 50,747	\$ 226,726	\$(175,979)
Noncurrent liabilities	<u>29,841</u>	<u>5,936</u>	<u>23,905</u>
Total liabilities	<u>80,588</u>	<u>232,662</u>	<u>(152,074)</u>
Net assets:			
Invested in capital assets	3,833,676	3,705,609	128,067
Unrestricted	<u>530,041</u>	<u>449,052</u>	<u>80,989</u>
Total net assets	<u>4,363,717</u>	<u>4,154,661</u>	<u>209,056</u>
Total liabilities and net assets	<u>\$4,444,305</u>	<u>\$4,387,323</u>	<u>\$ 56,982</u>

IONIA HOUSING COMMISSION
IONIA, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A) - CONTINUED
September 30, 2004

=====

Financial Analysis of the Housing Commission (continued)

The following table summarizes the Statement of Revenues, Expenses and Changes in Net Assets of the Housing Commission for the years ended September 30, 2004 and 2003.

	<u>2004</u>	<u>2003</u>	<u>Net Change</u>
Operating revenues:			
Dwelling rent	\$ 244,619	\$ 238,193	\$ 6,426
Nondwelling rent	<u>15,376</u>	<u>16,610</u>	<u>(1,234)</u>
Total operating revenues	<u>259,995</u>	<u>254,803</u>	<u>5,192</u>
Operating expenses:			
Administration	163,994	126,518	37,476
Tenant services	21,778	19,706	2,072
Utilities	78,514	76,061	2,453
Ordinary maintenance and operation	175,411	191,791	(16,380)
General expenses	38,520	37,006	1,514
Extraordinary maintenance	701	91,787	(91,086)
Housing assistance payments	57,825	58,348	(523)
Depreciation	<u>175,950</u>	<u>170,308</u>	<u>5,642</u>
Total operating expenses	<u>712,693</u>	<u>771,525</u>	<u>(58,832)</u>
Non-operating revenue:			
Interest income	7,018	7,866	(848)
Other income	640	39	601
Capital grants	24,576		24,576
Operating grants	<u>629,559</u>	<u>420,314</u>	<u>209,245</u>
Total nonoperating revenue	<u>661,793</u>	<u>428,219</u>	<u>233,574</u>
Prior period adjustments	<u>(39)</u>		<u>(39)</u>
Change in Net Assets	<u>\$ 209,056</u>	<u>\$ (88,503)</u>	<u>\$ 297,559</u>

FINANCIAL STATEMENTS

IONIA HOUSING COMMISSION
COMBINED STATEMENT OF NET ASSETS
September 30, 2004
=====

ASSETS

Current Assets:

Cash	\$ 589,837
Accounts receivable-other government	2,808
Accounts receivable-miscellaneous	1,369
Accounts receivable-dwelling rents	5,248
Allowance for doubtful accounts	(1,700)
Investments-unrestricted	632
Prepaid expenses	<u>12,435</u>

Total Current Assets	<u>610,629</u>
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Property, Plant, and Equipment:

Land	143,636
Buildings	5,354,141
Equipment	505,073
Building improvements	<u>277,278</u>

Less: accumulated depreciation	<u>6,280,128</u>
	(2,446,452)

Net Property, Plant, and Equipment	<u>3,833,676</u>
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Total Assets	<u><u>\$ 4,444,305</u></u>
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See notes to financial statements

IONIA HOUSING COMMISSION
COMBINED STATEMENT OF NET ASSETS (CONTINUED)
September 30, 2004
=====

LIABILITIES and NET ASSETS

Current Liabilities:	
Accounts payable	\$ 14,236
Tenant security deposit liability	27,231
Accrued expenses	4,195
Deferred revenues	<u>5,085</u>
Total Current Liabilities	50,747
Noncurrent Liabilities:	
Accrued compensated absences	<u>29,841</u>
Total Liabilities	<u>80,588</u>
Net Assets:	
Invested in capital assets	3,833,676
Unrestricted net assets	<u>530,041</u>
Total Net Assets	<u>4,363,717</u>
Total Liabilities and Net Assets	<u>\$ 4,444,305</u>

See notes to financial statements

IONIA HOUSING COMMISSION
COMBINED STATEMENT OF ACTIVITIES
Year Ended September 30, 2004
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OPERATING REVENUES:

Dwelling rent	\$ 244,619
Non-dwelling rent	<u>15,376</u>
Total operating revenues	<u>259,995</u>

OPERATING EXPENSES:

Administration	163,994
Tenant services	21,778
Utilities	78,514
Ordinary maintenance and operation	175,411
General expenses	38,520
Extraordinary maintenance	701
Housing assistance payments	57,825
Depreciation	<u>175,950</u>
Total operating expenses	<u>712,693</u>

Operating income(loss)	<u>(452,698)</u>
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NONOPERATING REVENUES:

Investment interest income	7,018
Other income	640
Capital grants	24,576
Operating grants	<u>629,559</u>

Total nonoperating revenues	<u>661,793</u>
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Net income (loss)	209,095
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Prior period adjustments, equity transfers and correction of errors	<u>(39)</u>
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Change in net assets	209,056
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Net assets, beginning	<u>4,154,661</u>
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Net assets, ending	<u><u>\$ 4,363,717</u></u>
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See notes to financial statements

IONIA HOUSING COMMISSION
COMBINED STATEMENT OF CASH FLOWS
 Year Ended September 30, 2004
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CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from dwelling and nondwelling rents	\$ 259,237
Cash payments to other suppliers of goods and services	(337,056)
Cash payments to employees for services	<u>(282,868)</u>
Net cash (used) by operating activities	<u>(360,687)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

Tenant security deposits	(1,367)
Operating grants	627,959
Other revenue	<u>1,035</u>
Net cash provided by noncapital financing activities	<u>627,627</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Capital grants	24,576
Payments for capital acquisitions	<u>(302,820)</u>
Net cash (used) by capital and related financing activities	<u>(278,244)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Certificates of deposits matured	732
Receipts of interest and dividends	<u>7,018</u>
Net cash provided by investing activities	<u>7,750</u>

Net increase(decrease) in cash	(3,554)
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Cash, beginning	<u>593,391</u>
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Cash, ending	<u>\$ 589,837</u>
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IONIA HOUSING COMMISSION
COMBINED STATEMENT OF CASH FLOWS (CONTINUED)
Year Ended September 30, 2004
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**RECONCILIATION OF CASH AND CASH EQUIVALENTS
PER STATEMENT OF CASH FLOWS TO THE BALANCE
SHEET:**

Cash	\$ 589,837
Restricted cash	<u> </u>
Cash and cash equivalents per balance sheet	<u><u>\$ 589,837</u></u>

**SCHEDULE RECONCILING OPERATING INCOME
TO NET CASH FLOW FROM OPERATING
ACTIVITIES:**

Operating income(loss)	\$(452,698)
Adjustments to reconcile operating (loss) to net cash(used in) operating activities:	
Depreciation	175,950
Bad debt allowance	(600)
Adjustments	(39)
Changes in assets and liabilities:	
(Increase) decrease in assets:	
Accounts receivable-tenants	(758)
Prepaid expenses	(2,229)
Increase (decrease) in liabilities:	
Accounts payable	(84,500)
Accrued wage/payroll tax payable	(187)
Accrued compensated absences	20,883
Accrued payments in lieu of taxes	(14,935)
Deferred revenues	<u>(1,574)</u>
Net cash (used) by operating activities	<u><u>\$(360,687)</u></u>

See notes to financial statements

IONIA HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS
September 30, 2004
=====

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Ionia Housing Commission (the Housing Commission) have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Housing Commission's accounting policies are described below.

The Reporting Entity

The Ionia Housing Commission is a component unit of the City of Ionia, a Michigan home rule city. The Housing Commission is a Public Housing Agency created by the City of Ionia on April 15, 1969, consisting of a five member board appointed by the City Mayor and charged with the responsibility to provide and service housing to meet the community's needs for affordable low-income housing. These financial statements include all of the resources and activities of the Ionia Housing Commission over which the Housing Commission exercises operational control or which have financial significance to the Housing Commission. The Housing Commission has no component units and is not responsible for any jointly governed organizations.

Grants and Other Intergovernmental Revenues

The Housing Commission has entered into contracts with the U.S. Department of Housing and Urban Development (HUD). Under Contract C-3071, the Housing Commission constructed, maintains and operates 110 units of subsidized housing in the City of Ionia, Michigan. The Housing Commission manages a Housing Choice Voucher program of subsidies for 20 qualifying low-income residents for rental housing. The Housing Commission receives an annual operating subsidy determined under a performance formula for units owned by the Housing Commission and an administrative fee based on the number of households it assists under its Housing Choice Voucher program.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Housing Commission. For the most part, the effect of the interfund activity has been removed from these statements. The Housing Commission only has business-type activities, which rely to a significant extent on

IONIA HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
September 30, 2004
=====

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-wide and Fund Financial Statements (continued)

fees and charges for support.

The Housing Commission is considered a major individual Enterprise Fund.

Fund Accounting

The accounts of the Housing Commission are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self balancing accounts that comprise its assets, liabilities, equity, revenues, and expenses. The Housing Commission's fund structure includes only proprietary funds. Under generally accepted accounting principles, proprietary funds are grouped into two broad categories - enterprise and internal service funds. Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered through user charges; or (b) where laws or regulations require that the activity's costs of providing services including capital costs (such as depreciation or debt service) be recovered with fees and charges rather than with taxes and similar revenues. All of the Housing Commission's funds are operated as enterprise type proprietary funds whereby costs of services are to be recovered through user charges or subsidies from other governmental units.

Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus. The Housing Commission's financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting.

Under the economic resources measurement focus, all assets and all liabilities (whether current or noncurrent) are included in the balance sheets of the individual funds. Their reported net assets are segregated into invested capital assets and unrestricted net asset components. Operating statements present increases (revenues) and decreases (expenses) in net assets. Under the accrual basis of accounting, all revenues are recorded when earned, regardless of when received, and all expenses are recorded when a liability is

IONIA HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
September 30, 2004
=====

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (continued)

created, regardless of when paid.

In accordance with Governmental Accounting Standards Board Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Ionia Housing Commission has elected to apply only those Financial Accounting Standards Board Statements issued prior to November 30, 1989 to its proprietary funds and to the proprietary funds of its component units.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Housing Commission considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Insurance

The premiums on all major insurance policies are charged to prepaid insurance and amortized over the life of the policy.

Budgets and Budgetary Accounting

The Housing Commission is required under each of its HUD contracts to adopt an annual operating budget which must be approved by HUD. Budgetary data and comparison of actual and planned performance is reported directly to HUD based on specific program reporting requirements.

Receivables

All receivables are reported at their net value, reflecting where appropriate, by the estimated portion that is expected to be uncollectible. The Housing Commission estimates the uncollectible portion of tenant rents as a percentage of gross tenant rents using prior collection experience.

Short-term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds. Receivables and payables arising from these transactions are classified as "due from other funds" and "due to other funds" on the statement of net assets.

IONIA HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
September 30, 2004
=====

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fixed Asset Capitalization

Fixed assets with a cost to acquire or construct of \$1,000 or more are capitalized and depreciated over their estimated useful lives. Depreciation is provided on a straight-line basis using the following estimate of useful lives:

Buildings	40 years
Equipment and furnishings	5 - 10 years
Building improvements	10 years

Net Assets

The Housing Commission classifies its net assets as follows:

- a. Invested in capital assets net of related debt represents all fixed assets acquired by the Housing Commission (both pre-FY 2001 and post-Fy 2001) reduced by accumulated depreciation and related capital projects debt issued to purchase those assets.
- b. Unrestricted net assets indicate that portion of net assets which is available for use in future periods.

Operating Revenues and Expenses

The Housing Commission includes in operating revenues resources that are derived or received from exchange transactions. Resources derived principally from non-exchange transactions are excluded from operating income. Operating expenses include the cost of providing services, excluding depreciation. Depreciation, amounts expended for capital additions and amounts expended for retirement-of-debt are excluded from operating expenses. Depreciation expense is charged to invested capital assets rather than unrestricted net assets.

Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires the use of management estimates. The Housing Commission uses estimates of useful lives of its fixed assets and other estimates in preparing its financial statements. Actual results may differ from the Housing Commission's estimates.

IONIA HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
September 30, 2004
=====

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Vacation and Sick Leave

The Housing Commission allows permanent employees to accumulate the following compensated absences:

- * Vacation time earned during one year must be taken during the following year unless permission is granted by the Executive Director to carry over additional days due to unavoidable circumstances.

If employment is terminated (quit, retire, etc.) after completing one year of service the employee will be paid his/her accumulated vacation pay at the time of termination. When such termination is by a voluntary resignation of the employee he/she shall give the Executive Director at least two (2) weeks notice or compensation for unused vacation leave may be denied.

- * Sick pay: Upon termination or resignation of employment, the employee will receive sick pay at the rate of one-half of the accumulated allowance (960 hours maximum), after six months of continuous employment. In the event of death or retirement, an employee or their estate will be paid 100% of his/her accumulated sick leave days.
- * Personal days: In addition to providing paid time off for Commission-designated holidays, the Housing Commission permits full-time regular employees to take up to two (2) paid personal days annually for personal business that cannot be taken care of during regular business hours.

Personal days may be taken only after they have been accrued, and they must be used during the calendar year. There shall be no carry-over of personal days from year to year, and there shall be no payment for unused personal days at the end of any calendar year or in the event of termination.

in which they are given.

The amount of accumulated benefits at September 30, 2004, was \$33,157, and is recorded as a liability in the applicable funds.

Post Employment Benefits

The provision for pension cost is recorded on an accrual basis, and the Commission's policy is to fund pension costs as they accrue.

IONIA HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
September 30, 2004
=====

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

As a component unit of a Michigan home rule city, the Housing Commission is exempt from federal and state income taxes. The Housing Commission has no unrelated business income.

NOTE 2: CASH AND INVESTMENTS

The Housing Commission maintains cash and investment accounts in the Low Rent Program and Housing Choice Voucher funds. Landlord checks are processed through the Housing Choice Voucher account. All other receipts and disbursements are processed through the Low Rent Program accounts.

HUD authorizes the Housing Commission to invest in certificates of deposit, money-market funds, United States government securities, and repurchase agreements fully collateralized by United States government securities.

The Housing Commission's investments are categorized below to give an indication of the level of risk assumed by the entity at year end.

Category 1: Includes deposits that are insured, registered, or for which the collateral securities are held by the Housing Commission or its agent in the Housing Commission's name. This includes FDIC or equivalent insurance coverage.

Category 2: Includes deposits for which the collateral securities are held by the dealer's trust department or agent in the Housing Commission's name.

Category 3: Includes all uninsured and uncollateralized deposits.

For all deposits shown below, the market value at the balance sheet date is substantially the same as the carrying value. The difference between the bank balance and carrying value is due to outstanding checks and/or deposits in transit. At various times during the year, the Housing Commission's deposits may have been higher than the September 30, 2004, balances detailed below. This means that the Housing Commission's risk and exposure could have been higher at these times. The Housing Commission had no significant type of deposits during the year not included below.

IONIA HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
September 30, 2004
=====

NOTE 2: CASH AND INVESTMENTS (Continued)

<u>Depository Balances by Category</u>					<u>Carrying Value</u>
<u>Depository</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>Total</u>	
Independent Bank	\$112,766	\$	\$	\$112,766	\$112,766
Governmental					
Employees Credit					
Union	75,158			75,158	75,158
ICNB	200,000	214,413		414,413	360,634
Oppenheimer		41,711		41,711	41,711
Total Deposits	<u>\$387,924</u>	<u>\$256,124</u>	<u>\$</u>	<u>\$644,048</u>	590,269
Petty cash					200
					<u>\$590,469</u>
Reconciliation to Cash on Balance Sheet					
Cash					\$589,837
Unrestricted investments					632
Total					<u>\$590,469</u>

NOTE 3: RECEIVABLES AND PAYABLES

Accounts Receivable-Other Governments

The City of Ionia owes \$2,808 to the Housing Commission for overcollecting payments in lieu of taxes in prior years as of September 30, 2004.

Accounts Receivable-Miscellaneous

Tenant deposits of \$1,369 are due the Housing Commission as of September 30, 2004.

Tenant Accounts Receivable

Tenant accounts receivable are recorded at gross amount and reduced by the estimated amount uncollectible. At September 30, 2004, the receivables were \$5,248 with \$1,700 estimated as uncollectible. Bad debt expense was \$3,000.

IONIA HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
September 30, 2004
=====

NOTE 3: RECEIVABLES AND PAYABLES (Continued)

Inter-fund Receivables, Payables, and Transfers

Interfund receivables and payables are recorded as "due from other programs" and "due to other programs".

There were no interfund receivables and payables as of September 30, 2004.

The capital fund program transferred \$99,499 to the Low Rent Program during the fiscal year ended September 30, 2004.

NOTE 4: CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2004 was as follows:

	<u>Balance</u> <u>09/30/03</u>	<u>Additions/Retirements/</u> <u>Transfers</u>	<u>Balance</u> <u>09/30/04</u>
Low Rent Program			
Land	\$ 143,636	\$	\$ 143,636
Buildings	5,354,141		5,354,141
Furniture, equip. & machinery - dwellings	39,124		39,124
Furniture, equip. & machinery - administration	<u>258,976</u>	<u>184,047</u>	<u>64,309</u>
	5,795,877	<u>\$ 184,047</u>	<u>\$ 64,309</u>
Less accumulated depreciation	<u>(2,235,914)</u>	<u>\$ (203,280)</u>	<u>(2,439,194)</u>
Total	<u>\$3,559,963</u>		<u>\$3,476,421</u>

IONIA HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
September 30, 2004
=====

NOTE 4: CAPITAL ASSETS (Continued)

	<u>Balance</u> <u>09/30/03</u>	<u>Additions/Retirements/</u> <u>Transfers</u>	<u>Transfers</u>	<u>Balance</u> <u>09/30/04</u>
Capital Fund Program				
Buildings	\$ 29,193	\$	\$ 29,193	\$
Furniture, equip. & machinery - dwellings	62,659		62,659	
Furniture, equip. & machinery - administration	89,580		2,345	87,235
Building improvements	<u> </u>	<u>277,278</u>	<u> </u>	<u>277,278</u>
	181,432	<u>\$ 277,278</u>	<u>\$ 94,197</u>	364,513
Less accumulated depreciation	<u>(34,589)</u>	<u>\$ (26,529)</u>	<u>\$ 53,860</u>	<u>(7,258)</u>
Total	<u>\$ 146,843</u>			<u>\$ 357,255</u>
Combined Totals				<u><u>\$3,833,676</u></u>

NOTE 5: CONTRIBUTED CAPITAL

Changes in invested in capital assets (formerly contributed capital) in the enterprise fund type for the year ended September 30, 2004, consist of the following:

	<u>Invested in</u> <u>Capital Assets</u>
Balance, beginning	\$ 3,705,609
Investment in fixed assets, net of depreciation paid for from operations net of depreciation, not included in contributed capital	<u>128,067</u>
Balance, ending	<u><u>\$ 3,833,676</u></u>

IONIA HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
September 30, 2004
=====

NOTE 6: SEGMENT INFORMATION

The Housing Commission maintains one Enterprise Fund that includes four separate programs which provide housing assistance and grant programs. Segment information for the year ended September 30, 2004, was as follows:

	<u>Low Rent Program</u>	<u>Capital Fund Program</u>	<u>Housing Choice Vouchers</u>
Condensed Statement of Activities:			
Dwelling and nondwelling rents	\$ 259,995	\$	\$
Depreciation expense	(149,421)	(26,529)	
Other operating expenses	(467,941)		(68,802)
Operating (loss)	(357,367)	(26,529)	(68,802)
Nonoperating revenues:			
Investment earnings	6,944		74
Other income	640		
Capital grants		24,576	
Operating grants	186,304	376,777	66,478
Operating transfers	99,499	(99,499)	
Net income (loss)	(63,980)	275,325	(2,250)
Prior period adjustments, equity transfers and correction of errors	64,913	(64,913)	(39)
Change in net assets	933	210,412	(2,289)
Beginning net assets	3,996,413	146,843	11,405
Ending net assets	<u>\$ 3,997,346</u>	<u>\$ 357,255</u>	<u>\$ 9,116</u>

IONIA HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
September 30, 2004
=====

NOTE 6: SEGMENT INFORMATION (Continued)

	<u>Low Rent Program</u>	<u>Capital Fund Program</u>	<u>Housing Choice Vouchers</u>
Condensed Statement of Cash Flows			
Net cash provided (used) by:			
Operating activities	\$(220,244)	\$(71,602)	\$(68,841)
Nonoperating financing activities	213,869	348,880	64,878
Capital and related financing activities	(966)	(277,278)	
Investing activities	<u>7,676</u>	<u> </u>	<u>74</u>
Net increase (decrease)	335		(3,889)
Cash, beginning	<u>578,415</u>	<u> </u>	<u>14,976</u>
Cash, ending	<u>\$ 578,750</u>	<u>\$ </u>	<u>\$ 11,087</u>

NOTE 7: OTHER INFORMATION

A. Pension Plan

The Ionia Housing Commission participates in a pension plan, the Municipal Employees' Retirement System, (MERS). MERS is a Defined Benefit Program which operates within the Michigan Department of Management and Budget, Bureau of Retirement Systems. The pension covers all eligible full-time employees and requires a minimum contribution by the employee. At December 31, 2003, the date of the last completed actuarial evaluation, the Housing Commission's actuarial accrued liability for retirement benefits is \$576,888. The valuation assets available to meet this obligation are \$503,768. There is an unfunded balance of \$73,120 as of December 31, 2003. The required employer contribution is \$17,220 to meet the normal cost and the unfunded accrued liability. The minimum required monthly employer contribution as a percentage of payroll is 8.4% and 13.37% for general employees and administrative staff. There are five (5) active members, no vested former members, and no retirees and beneficiaries. Statistical information concerning the plan can be obtained from MERS, which is contained in their annual report.

IONIA HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
September 30, 2004
=====

NOTE 7: OTHER INFORMATION (Continued)

B. Current Vulnerability Due to Certain Concentrations

The Housing Commission operates in a heavily regulated environment. The operations of the Housing Commission are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to, HUD. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by HUD. Such changes may occur with little notice to inadequate funding to pay for the related cost, including the additional administrative burden to comply with a change.

C. Risk Management and Litigation

The Housing Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters for which it obtains coverage from commercial companies. The Housing Commission has had no settled claims resulting from these risks that exceed their commercial coverage in the current year or the three prior fiscal years.

D. Implementation of New Accounting Standard

As of and for the year ended September 30, 2004, the Housing Commission implemented GASB Statement Number 34 - *Basic Financial Statements -and Management's Discussion and Analysis - State and Local Governments*. The more significant changes required by the standard include a Management Discussion and Analysis; government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting; fund financial statements, consisting of a series of statements that focus on a government's major funds; and schedules to reconcile the fund financial statements to the government-wide financial statements.

IONIA HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
September 30, 2004
=====

NOTE 7: OTHER INFORMATION (Continued)

E. Prior Period Adjustments, Equity Transfers and
Correction of Errors

Low Rent Program

Equity transfer from 2000 capital fund \$ 64,913

Capital Fund Program

2000 capital fund equity transfer to PHA \$(64,913)

Housing Choice Vouchers

Correction by HUD of 9/30/03 admin fees \$(39)

SUPPLEMENTARY INFORMATION

IONIA HOUSING COMMISSION
COMBINING STATEMENT OF NET ASSETS
 September 30, 2004
 =====

C-3071	Capital
Low Rent	Fund
Program	Program
<u>14.850</u>	<u>14.872</u>

ASSETS

Current assets:

Cash	\$ 578,750	\$
Accounts receivable-other government	2,808	
Accounts receivable-miscellaneous	1,369	
Accounts receivable-dwelling rents	5,248	
Allowance for doubtful accounts	(1,700)	
Investments-unrestricted	632	
Prepaid expenses	<u>12,435</u>	

Total current assets

<u>599,542</u>	
----------------	--

Property, plant, and equipment:

Land	143,636	
Buildings	5,354,141	
Equipment	417,838	87,235
Building improvements		<u>277,278</u>
	<u>5,915,615</u>	364,513
Less accumulated depreciation	<u>(2,439,194)</u>	<u>(7,258)</u>

Net property, plant and
equipment

<u>3,476,421</u>	<u>357,255</u>
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Total Assets

<u>\$4,075,963</u>	<u>\$ 357,255</u>
--------------------	-------------------

Housing Choice Vouchers <u>14.871</u>	<u>Totals</u>
\$ 11,087	\$ 589,837
	2,808
	1,369
	5,248
	(1,700)
	632
	<u>12,435</u>
<u>11,087</u>	<u>610,629</u>
	143,636
	5,354,141
	505,073
	<u>277,278</u>
	6,280,128
	<u>(2,446,452)</u>
	<u>3,833,676</u>
<u>\$ 11,087</u>	<u>\$4,444,305</u>

IONIA HOUSING COMMISSION
COMBINING STATEMENT OF NET ASSETS (CONTINUED)
September 30, 2004
=====

C-3071	Capital
Low Rent	Fund
Program	Program
<u>14.850</u>	<u>14.872</u>

LIABILITIES and NET ASSETS

Current liabilities:		
Accounts payable	\$ 12,265	\$
Tenant security deposit liability	27,231	
Accrued expenses	4,195	
Deferred revenues	<u>5,085</u>	<u></u>
Total current liabilities	48,776	
Noncurrent liabilities:		
Accrued compensated absences	<u>29,841</u>	<u></u>
Total liabilities	<u>78,617</u>	<u></u>
Net Assets:		
Invested in capital assets .	3,476,421	357,255
Unrestricted net assets	<u>520,925</u>	<u></u>
Total net assets	<u>3,997,346</u>	<u>357,255</u>
Total Liabilities and Net Assets	<u>\$4,075,963</u>	<u>\$ 357,255</u>

Housing Choice Vouchers <u>14.871</u>	<u>Totals</u>
\$ 1,971	\$ 14,236
	27,231
	4,195
	<u>5,085</u>
1,971	50,747
	<u>29,841</u>
<u>1,971</u>	<u>80,588</u>
<u>9,116</u>	3,833,676
	<u>530,041</u>
<u>9,116</u>	<u>4,363,717</u>
<u>\$ 11,087</u>	<u>\$4,444,305</u>

IONIA HOUSING COMMISSION
COMBINING STATEMENT OF ACTIVITIES
 Year Ended September 30, 2004
 =====

	C-3071 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
OPERATING REVENUES:		
Dwelling rent	\$ 244,619	\$
Nondwelling rent	<u>15,376</u>	<u> </u>
Total operating revenues	<u>259,995</u>	<u> </u>
OPERATING EXPENSES:		
Administration	153,017	
Tenant services	21,778	
Utilities	78,514	
Ordinary maintenance and operation	175,411	
General expenses	38,520	
Extraordinary maintenance	701	
Housing assistance payments		
Depreciation	<u>149,421</u>	<u>26,529</u>
Total operating expenses	<u>617,362</u>	<u>26,529</u>
Operating income(loss)	<u>(357,367)</u>	<u>(26,529)</u>
NONOPERATING REVENUES AND (EXPENSES):		
Operating transfers in (out)	99,499	(99,499)
Investment interest income	6,944	
Other income	640	
Capital grants		24,576
Operating grants	<u>186,304</u>	<u>376,777</u>
Total nonoperating revenues (expenses)	<u>293,387</u>	<u>301,854</u>
Net income (loss)	(63,980)	275,325
Prior period adjustments, equity transfers and correction of errors	<u>64,913</u>	<u>(64,913)</u>
Change in net assets	933	210,412
Net assets, beginning	<u>3,996,413</u>	<u>146,843</u>
Net assets, ending	<u>\$3,997,346</u>	<u>\$357,255</u>

Housing Choice Vouchers <u>14.871</u>	<u>Totals</u>
\$	\$ 244,619
	<u>15,376</u>
	<u>259,995</u>
10,977	163,994
	21,778
	78,514
	175,411
	38,520
	701
57,825	57,825
	<u>175,950</u>
<u>68,802</u>	<u>712,693</u>
(68,802)	(452,698)
74	7,018
	640
	24,576
<u>66,478</u>	<u>629,559</u>
<u>66,552</u>	<u>661,793</u>
(2,250)	209,095
(39)	(39)
(2,289)	209,056
<u>11,405</u>	<u>4,154,661</u>
<u>\$ 9,116</u>	<u>\$ 4,363,717</u>

IONIA HOUSING COMMISSION
COMBINING STATEMENT OF CASH FLOWS
 Year Ended September 30, 2004
 =====

	C-3071 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from dwelling and nondwelling rents	\$ 259,237	\$
Cash payments to other suppliers of goods and services	(204,750)	(71,602)
Cash payments to employees for services	(274,731)	
Cash payments for in lieu of taxes		
Net cash (used) by operating activities	<u>(220,244)</u>	<u>(71,602)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Tenant security deposits	(1,367)	
Due from/to other funds	(71,602)	71,602
Operating transfers in (out)	99,499	(99,499)
Operating grants	186,304	376,777
Other revenue	<u>1,035</u>	
Net cash provided by noncapital financing activities	<u>213,869</u>	<u>348,880</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital grants		24,576
Payments for capital acquisitions	<u>(966)</u>	<u>(301,854)</u>
Net cash provided (used) by capital and related financing activities	<u>(966)</u>	<u>(277,278)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Certificates of deposits matured	732	
Receipts of interest and dividends	<u>6,944</u>	
Net cash provided by investing activities	<u>7,676</u>	
Net increase(decrease) in cash	335	
Cash, beginning	<u>578,415</u>	
Cash, ending	<u><u>\$ 578,750</u></u>	<u><u>\$</u></u>

Housing Choice Vouchers 14.871	Totals
\$	\$ 259,237
(60,704)	(337,056)
(8,137)	(282,868)
<u>(68,841)</u>	<u>(360,687)</u>
	(1,367)
64,878	627,959
	<u>1,035</u>
<u>64,878</u>	<u>627,627</u>
	24,576
	<u>(302,820)</u>
	<u>(278,244)</u>
	732
<u>74</u>	<u>7,018</u>
<u>74</u>	<u>7,750</u>
(3,889)	(3,554)
<u>14,976</u>	<u>593,391</u>
<u>\$ 11,087</u>	<u>\$ 589,837</u>

IONIA HOUSING COMMISSION
COMBINING STATEMENT OF CASH FLOWS (CONTINUED)
Year Ended September 30, 2004
=====

C-3071	Capital
Low Rent	Fund
Program	Program
<u>14.850</u>	<u>14.872</u>

**RECONCILIATION OF CASH AND CASH
EQUIVALENTS PER STATEMENT OF CASH
FLOWS TO THE BALANCE SHEET:**

Cash	\$ 578,750	\$
Restricted cash	<u> </u>	<u> </u>
Cash and cash equivalents per balance sheet	<u>\$ 578,750</u>	<u>\$</u>

**SCHEDULE RECONCILING OPERATING INCOME
TO NET CASH FLOW FROM OPERATING
ACTIVITIES:**

Operating income(loss)	\$ (357,367)	\$ (26,529)
Adjustments to reconcile operating (loss) to net cash(used in) operating activities:		
Depreciation	149,421	26,529
Bad debt allowance	(600)	
Adjustments		
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable-tenants	(758)	
Prepaid expenses	(2,229)	
Increase (decrease) in liabilities:		
Accounts payable	(12,898)	(71,602)
Accrued wage/payroll tax payable	(187)	
Accrued compensated absences	20,883	
Accrued payments in lieu of taxes	(14,935)	
Deferred revenues	<u>(1,574)</u>	<u> </u>
Net cash (used) by operating activities	<u>\$ (220,244)</u>	<u>\$ (71,602)</u>

Housing
Choice
Vouchers
14.871

Totals

\$ 11,087

\$ 589,837

\$ 11,087

\$ 589,837

\$ (68,802)

\$ (452,698)

(39)

175,950
(600)
(39)

(758)
(2,229)

(84,500)
(187)
20,883

(14,935)
(1,574)

\$ (68,841)

\$ (360,687)

IONIA HOUSING COMMISSION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND NOTES TO THE SCHEDULE OF FEDERAL AWARDS
Year Ended September 30, 2004
=====

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year	Federal Grantor	CFDA No.	Expenditures
	<u>U.S. Department of HUD</u>		
	<u>Public and Indian Housing Nonmajor - Direct Program</u>		
2004	Low Rent Public Housing	14.850	\$ 186,304
	<u>Public and Indian Housing Major - Direct Program</u>		
2004	Capital Fund Program	14.872	401,353
	<u>Low Income Public Housing Nonmajor - Direct Program</u>		
2004	Housing Choice Vouchers	14.871	<u>66,478</u>
	Total		<u>\$ 654,135</u>

NOTES TO THE SCHEDULE OF FEDERAL AWARDS

NOTE 1: Significant Accounting Policies

The schedule of federal awards has been prepared on the accrual basis of accounting.

CFDA = Catalog of Federal Domestic Assistance

IONIA HOUSING COMMISSION
FINANCIAL DATA SCHEDULE
Year Ended September 30, 2004
=====

FDS Line Item No.		C-3071 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
	ASSETS		
	Current Assets:		
	Cash:		
111	Cash-unrestricted	\$ 552,889	\$
114	Cash-tenant security deposits	<u>25,861</u>	<u></u>
100	Total cash	<u>578,750</u>	<u></u>
	Receivables:		
124	A/R-other government	2,808	
125	A/R-miscellaneous	1,369	
126	A/R-tenants-dwelling rents	5,248	
126.1	Allowance for doubtful accounts - dwelling rents	<u>(1,700)</u>	<u></u>
120	Total receivables, net of allowance for doubtful accounts	<u>7,725</u>	<u></u>
	Current Investments:		
131	Investments-unrestricted	<u>632</u>	<u></u>
	Other Current Assets:		
142	Prepaid expenses and other assets	<u>12,435</u>	<u></u>
150	Total current assets	<u>599,542</u>	<u></u>
	Noncurrent Assets:		
	Fixed Assets:		
161	Land	143,636	
162	Buildings	5,354,141	
163	Furn, equip & mach-dwellings	39,124	
164	Furn, equip & mach-admin.	378,714	87,235
165	Building improvements		277,278
166	Accumulated depreciation	<u>(2,439,194)</u>	<u>(7,258)</u>
160	Total fixed assets, net of accumulated depreciation	<u>3,476,421</u>	<u>357,255</u>
180	Total noncurrent assets	<u>3,476,421</u>	<u>357,255</u>
190	Total Assets	<u>\$ 4,075,963</u>	<u>\$357,255</u>

Housing Choice Vouchers 14.871	Totals
\$ 11,087	\$ 563,976
	25,861
<u>11,087</u>	<u>589,837</u>
	2,808
	1,369
	5,248
	(1,700)
	7,725
	632
	12,435
<u>11,087</u>	<u>610,629</u>
	143,636
	5,354,141
	39,124
	465,949
	277,278
	(2,446,452)
	3,833,676
	3,833,676
<u>\$ 11,087</u>	<u>\$ 4,444,305</u>

IONIA HOUSING COMMISSION
FINANCIAL DATA SCHEDULE (CONTINUED)
 Year Ended September 30, 2004
 =====

FDS Line Item No.		C-3071 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
LIABILITIES and NET ASSETS			
	Liabilities:		
	Current Liabilities:		
312	Accounts payable-<=90 days	\$ 12,265	\$
321	Accrued wage/payroll taxes payable	879	
322	Accrued compensated absences	3,316	
331	Accounts payable-HUD PHA programs		
341	Tenant security deposits	27,231	
342	Deferred revenues	<u>5,085</u>	
310	Total current liabilities	<u>48,776</u>	
	Noncurrent Liabilities:		
354	Accrued compensated absences	<u>29,841</u>	
350	Total noncurrent liabilities	<u>29,841</u>	
300	Total liabilities	<u>78,617</u>	
	Net Assets:		
508.1	Invested in capital assets	<u>3,476,421</u>	<u>357,255</u>
508	Total invested in capital assets	3,476,421	357,255
512.1	Unrestricted net assets	<u>520,925</u>	
513	Total Net Assets	<u>3,997,346</u>	<u>357,255</u>
600	Total Liabilities and Net Assets	<u>\$ 4,075,963</u>	<u>\$357,255</u>

Housing
Choice
Vouchers
14,871

Totals

\$ \$ 12,265

879

3,316

1,971 1,971

27,231

5,085

1,971 50,747

29,841

29,841

1,971 80,588

3,833,676

3,833,676

9,116 530,041

9,116 4,363,717

\$ 11,087 \$ 4,444,305

IONIA HOUSING COMMISSION
FINANCIAL DATA SCHEDULE (CONTINUED)
 Year Ended September 30, 2004
 =====

FDS Line Item No.		C-3071 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
	Revenue:		
703	Net tenant rental revenue	\$ 244,619	\$
704	Tenant revenue-other	<u>15,376</u>	<u> </u>
705	Total tenant revenue	259,995	
706	HUD PHA grants	186,304	376,777
706.1	Capital grants		24,576
711	Investment income-unrestricted	6,944	
715	Other revenue	<u>640</u>	<u> </u>
700	Total revenue	<u>453,883</u>	<u>401,353</u>
	Expenses:		
	Administrative:		
911	Administrative salaries	65,969	
912	Auditing fees	2,800	
914	Compensated absences	26,561	
915	Employee benefit contributions-adm.	34,019	
916	Other operating-administrative	23,668	
	Tenant Services:		
921	Tenant services-salaries	11,206	
923	Employee benefit contributions	1,373	
924	Tenant services-other	9,199	
	Utilities:		
931	Water	27,323	
932	Electricity	37,331	
933	Gas	13,860	
	Ordinary maintenance and operation:		
941	Ordinary maint & oper-labor	89,533	
942	Ordinary maint & oper-mat'ls & other	26,190	
943	Ordinary maint & oper-contract costs	19,894	
945	Employee benefit contributions	39,794	
	General expenses:		
961	Insurance premiums	21,565	
962	Other general expenses	1,918	
963	Payments in lieu of taxes	(14,935)	
964	Bad debt - tenant rents	3,000	
968	Severance expense	<u>26,972</u>	<u> </u>
969	Total operating expenses	<u>467,240</u>	<u> </u>
970	Excess operating revenue over operating expenses	<u>(13,357)</u>	<u>401,353</u>

Housing Choice Vouchers 14.871	Totals
\$	\$ 244,619
	15,376
	259,995
66,478	629,559
	24,576
74	7,018
	640
66,552	921,788
7,560	73,529
	2,800
	26,561
577	34,596
2,840	26,508
	11,206
	1,373
	9,199
	27,323
	37,331
	13,860
	89,533
	26,190
	19,894
	39,794
	21,565
	1,918
	(14,935)
	3,000
	26,972
10,977	478,217
55,575	443,571

IONIA HOUSING COMMISSION
FINANCIAL DATA SCHEDULE (CONTINUED)
 Year Ended September 30, 2004
 =====

FDS Line Item No.		C-3071 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
	Expenses continued:		
	Other expenses:		
971	Extraordinary maintenance	701	
973	Housing assistance payments		
974	Depreciation expense	<u>149,421</u>	<u>26,529</u>
	Total other expenses	<u>150,122</u>	<u>26,529</u>
900	Total expenses	<u>617,362</u>	<u>26,529</u>
	Excess (deficiency) of operating revenue over(under) expenses before other financing sources (uses)	(163,479)	374,824
	Other Financing Sources(Uses):		
1001	Operating transfers in (out)	<u>99,499</u>	(99,499)
1000	Excess (deficiency) of operating revenue over(under) expenses	(63,980)	275,325
1103	Beginning Net Assets	3,996,413	146,843
1104	Prior period adjustments, equity transfers and correction of errors	<u>64,913</u>	(64,913)
	Ending Net Assets	<u>\$ 3,997,346</u>	<u>\$357,255</u>

Housing Choice Vouchers <u>14.871</u>	<u>Totals</u>
	701
57,825	57,825
	<u>175,950</u>
<u>57,825</u>	<u>234,476</u>
<u>68,802</u>	<u>712,693</u>
(2,250)	209,095
(2,250)	209,095
11,405	4,154,661
(39)	(39)
<u>\$ 9,116</u>	<u>\$ 4,363,717</u>

**Report on Compliance and on Internal Control Over
Financial Reporting Based on an Audit of
Financial Statements Performed in Accordance
with Government Auditing Standards**

Board of Housing Commissioners
Ionia Housing Commission
Ionia, Michigan

We have audited the financial statements of the Ionia Housing Commission, Michigan, (Housing Commission) as of and for the year ended September 30, 2004, and have issued our report thereon dated March 14, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Housing Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Housing Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk

Report on Compliance and on Internal Control
In Accordance with Government Auditing Standard
Ionia Housing Commission
Page Two

Internal Control Over Financial Reporting - Continued

that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. We have noted other matters involving the internal control over financial reporting that we have reported to management of the Housing Commission in a separate letter dated March 14, 2005.

This report is intended solely for the information and use of the audit committee, Board of Housing Commissioners, management, others within the organization, the Michigan Department of Treasury, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Sary J. Tardiff, CPA, PC

March 14, 2005

**Report on Compliance with Requirements
Applicable To Each Major Program and
Internal Control over Compliance
in Accordance with OMB Circular A-133**

Board of Housing Commissioners
Ionia Housing Commission
Ionia, Michigan

Compliance

We have audited the compliance of the Ionia Housing Commission, Michigan (Housing Commission) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2004. The Housing Commission's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Housing Commission's management. Our responsibility is to express an opinion on the Housing Commission's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Housing Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Housing Commission's compliance with those requirements.

Report on Compliance and Internal Control
Over Compliance in Accordance With
OMB Circular A-133
Ionia Housing Commission
Page Two

Compliance (continued)

In our opinion, Housing Commission complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2004.

Internal Control Over Compliance

The management of the Housing Commission is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Housing Commission's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. We have noted other matters involving the internal control over financial reporting that we have reported to management of the Housing Commission in a separate letter dated March 14, 2005.

This report is intended solely for the information and use of the audit committee, Board of Housing Commissioners, management, others within the organization, the Michigan Department of Treasury, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Ray E. Sandell, CPA, PC

March 14, 2005

IONIA HOUSING COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
September 30, 2004
=====

A. Summary of Audit Results

Financial Statements

- | | |
|--|-------------|
| 1. Type of Auditor's Report issued: | Unqualified |
| 2. Internal control over financial reporting: | |
| a. Material weakness identified | No |
| b. Reportable condition identified that is not a material weakness | No |
| 3. Noncompliance material to financial statements: | No |

Federal Awards

- | | |
|--|-------------|
| 1. Internal control over major programs: | |
| a. Material weakness identified | No |
| b. Reportable condition that is not a material weakness | No |
| 2. Type of auditor's report issued on compliance for major programs | Unqualified |
| 3. Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133 | No |
| 4. Identification of major programs: | |

<u>CFDA Number</u>	<u>Federal Program</u>	<u>Amount Expended</u>	<u>Major Program</u>	<u>Compliance Requirement</u>	<u>Questioned Costs</u>	<u>Audit Finding</u>
14.850	Low Rent Public Housing	\$ 186,304	No	O	N/A	N/A
14.872	Capital Fund Program	401,353	Yes	O	N/A	N/A
14.871	Housing Choice Vouchers	<u>66,478</u>	No	O	N/A	N/A
	Total	<u>\$ 654,135</u>				

- | | |
|--|-----------|
| 5. Dollar threshold used to distinguish between type A and type B programs | \$300,000 |
| 6. Auditee qualified as low-risk auditee? | Yes |

IONIA HOUSING COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
September 30, 2004
=====

B.	Financial Statement Findings	None
C.	Federal Award Findings and Questioned Costs	None

IONIA HOUSING COMMISSION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
September 30, 2004
=====

Finding 03-1: Inspections Incomplete

The Commission conducted annual inspections, however, the forms were unsigned and some did not indicate whether the unit passed or failed.

Management has made the necessary changes, therefore this finding has been resolved.

Finding 03-2: PILOT not Reduced as Prescribed by Public Act 338 of 1996.

The Commission did not reduce the current year PILOT. The ratio would reduce the PILOT owed for the year ended September 30, 2003 by \$4,352, or 26%.

Management has begun calculating the PILOT amount using the reduction available via Public Act 338 of 1996. Therefore, this finding has been resolved.

IONIA HOUSING COMMISSION
ADJUSTING JOURNAL ENTRIES
SEPTEMBER 30, 2004

=====

<u>Line</u> <u>Number #</u>	<u>Account Name</u>	<u>Debit</u>	<u>Credit</u>
CAPITAL FUND PROGRAM			
	(1)		
164	Building improvements	\$277,278.00	
942	Ordinary maintenance and operations-materials To reclassify capital expenditures.		\$ 277,278.00

IONIA HOUSING COMMISSION

INDEPENDENT AUDITORS' REPORTS
ON COMMUNICATIONS WITH THE
AUDIT COMMITTEE/BOARD OF COMMISSIONERS
AND
MANAGEMENT ADVISORY COMMENTS

SEPTEMBER 30, 2004

IONIA HOUSING COMMISSION
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SEPTEMBER 30, 2004

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Barry E. Gaudette, CPA, P.C.

CERTIFIED PUBLIC ACCOUNTANT

1107 East Eighth Street
Traverse City, Michigan 49686
(231) 946-8930
Fax (231) 946-1377

**INDEPENDENT AUDITORS' REPORT ON
COMMUNICATIONS WITH THE AUDIT COMMITTEE/
BOARD OF COMMISSIONERS**

To the Board of Commissioners
Ionia Housing Commission

We have audited the financial statements of the Ionia Housing Commission ("Housing Commission") as of and for the year ended September 30, 2004, and have issued our report, thereon, dated March 14, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we communicate certain matters to your audit committee or its equivalent. These communications are reported in the following paragraphs.

Auditors' Responsibilities Under Auditing Standards Generally Accepted in the United States of America - In planning and performing our audit of the financial statements, we considered your internal control in order to determine our auditing procedures for purposes of expressing our opinion on the financial statements and not to provide assurance on your internal control. Also, an audit conducted under auditing standards generally accepted in the United States of America is designed to obtain a reasonable, rather than absolute, assurance about the financial statements.

Significant Accounting Policies - The significant accounting policies used in the preparation of your financial statements are discussed in Note 1 to the financial statements. There was one audit adjusting journal entry and no controversial accounting issues.

Management Judgments and Accounting Estimates - Significant management judgments and accounting estimates are disclosed in the notes to the financial statements.

Other Information in Documents Containing Audited Financial Statements - All the information included in the financial statements document has been audited and our responsibilities are addressed in the Independent Auditors' Report.

**INDEPENDENT AUDITORS' REPORT ON COMMUNICATIONS WITH THE
AUDIT COMMITTEE - CONTINUED**

Audit Adjustments - For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Housing Commission's financial reporting process (that is, cause future financial statements to be materially misstated). The attached audit adjustment, in our judgment, indicate matters that could have a significant effect on the Housing Commission's financial reporting process (see page 6 showing the audit adjusting journal entry).

Disagreements With Management - For purposes of this letter, professional accounting standards define disagreement with management as a matter concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the audit.

Consultations With Other Accountants - To our knowledge, management has not consulted with other accountants regarding auditing and accounting matters.

Major Issues Discussed With Management Prior to Retention - There was no discussions regarding the application of accounting principles or auditing standards with management prior to our retention as your auditor.

Difficulties Encountered in Performing the Audit - There were no difficulties encountered in performing the audit. The staff was very cooperative and helpful.

This report is intended solely for the information and use of the audit committee or its equivalent and management and is not intended to be and should not be used by anyone other than these specified parties.

We shall be pleased to discuss any of the matters referred to in this letter. Should you desire more information on the above communications, we would welcome the opportunity to discuss them with you.

Bary E. Landette, CPA, PC

March 14, 2005

Barry E. Gaudette, CPA, P.C.

CERTIFIED PUBLIC ACCOUNTANT

1107 East Eighth Street
Traverse City, Michigan 49686
(231) 946-8930
Fax (231) 946-1377

**INDEPENDENT AUDITORS' REPORT ON
MANAGEMENT ADVISORY COMMENTS**

To the Board of Commissioners
Ionia Housing Commission

We have audited the financial statements of the Ionia Housing Commission ("Housing Commission") as of and for the year ended September 30, 2004, and have issued our report, thereon, dated March 14, 2005. We have also issued compliance reports and reports on the internal control in accordance with *Government Auditing Standards*. These reports disclosed no material instances of noncompliance, weaknesses and reportable conditions.

Other matters involving the Housing Commission's operations and internal control, which came to our attention during the audit, are reported on the following pages as management advisory comments.

We would like to take this opportunity to acknowledge the many courtesies extended to us by the Housing Commission's personnel during the course of our work.

We shall be pleased to discuss any of the matters referred to in this letter. Should you desire assistance in implementing any of the following suggestions, we would welcome the opportunity of assisting you in these matters.

Barry E. Gaudette, CPA, P.C.

March 14, 2005

IONIA HOUSING COMMISSION
MANAGEMENT ADVISORY COMMENTS

September 30, 2004
=====

Tenant Deposits

The deposit ticket is reviewed by someone other than the employee that makes the deposit, but is not initialed that it was reviewed.

We recommend that the Housing Commission have the employee that does not make the deposit review the deposit ticket and then after the deposit ticket receipt is brought back, this employee should review that the deposit is the correct amount and also initial the deposit ticket receipt. The Housing Commission has implemented this procedure as of the audit report date.

Filing of Deposit Ticket, Bank Receipts, Tenant Receipts and Batch Reports

All of the deposit tickets, bank receipts, tenant receipts and batch reports tested were filed separately of each other.

We recommend that the Housing Commission file these items attached together. This will provide an audit trail that is easy to follow.

List of Payables for the Board Meetings

Currently the management provides the Board of Commissioners at the monthly board meetings a list of payables.

We recommend that management also provide the corresponding check number for the invoices.

Acceptance of Cash

Currently the Housing Commission accepts cash, checks and money orders.

We recommend that the Housing Commission consider adopting a "no cash accepted" policy. There may be some exceptions allowed as determined by the Board.

IONIA HOUSING COMMISSION
MANAGEMENT ADVISORY COMMENTS (CONTINUED)
September 30, 2004
=====

Computer Backup

The Housing Commission currently backs up the computer daily and stores the tapes in a file cabinet.

We recommend the Housing Commission either purchase a fire proof safe to store the tapes or store them at an off site location.

Vendor Charge Accounts

Currently the Housing Commission uses several local vendors to purchase materials, supplies and gasoline on credit.

We recommend that the Housing Commission adopt a policy for these accounts that would include a limit on how much could be charged.

IONIA HOUSING COMMISSION
ADJUSTING JOURNAL ENTRIES
September 30, 2004
=====

<u>Line</u> <u>Number #</u>	<u>Account Name</u>	<u>Debit</u>	<u>Credit</u>
Capital Fund Program			
	(1)		
164	Building improvements	\$277,278.00	
942	Ordinary maintenance and operations-materials		\$ 277,278.00
	To reclassify capital expenditures.		